April 4, 2008

To: Tim Mason, Ryan Pletka – Black & Veatch

Fr: Nancy Rader, California Wind Energy Association
Concentrated Solar Power Companies (Holly Gordon, Ausra, Inc., Tandy McMannes, Abengoa Solar, Inc., Kevin Swartz, Solel, Inc.)
Gregg Morris, Phil Reese, California Biomass Energy Alliance

cc: RETI Stakeholder Steering Committee *via* Clare Laufenberg Gallardo

Re: Comments on RETI Phase 1A Draft Report

We very much appreciate RETI for its intended role in promoting the transmission that is badly needed to support most renewable energy development in and around California. We certainly agree that the state's insufficient transmission infrastructure is one of the primary reasons that California is unlikely to achieve the state's RPS goals on time, and that the RETI process has an important role to play in remedying that situation. We believe, however, that the methodology and process that is being proposed to achieve the goal of promoting transmission development for renewables may not only fail to achieve the goal but will also distort and undermine the competitive renewables marketplace that is beginning to flourish in California.

Our concerns are very simple: (1) RETI intends to rank individual projects according to a single Ranking Cost figure despite the substantial uncertainty in all the variables that underlie the Ranking Cost figure, which are acknowledged by the project consultant, and which call into question the accuracy of the ranking; and (2) RETI will attempt to plan transmission for the specific projects that rank highly in this process. As a result, RETI will effectively pick "winning" projects based on criteria never contemplated in existing state and federal laws, tariffs and procedures, including the RPS competitive solicitation process, FERC's open access rules, and land use permitting procedures.

Ranking projects and providing transmission accordingly based on a falsely precise figure is tantamount to changing the rules in the middle of the game, potentially disadvantaging developers whose projects are far along in the development process, while potentially advantaging developers who have invested little in the process. As conceived, therefore, RETI will raise the cost of renewables by distorting the competitive market, discourage investment in those projects that do not rank highly and confer market power on highly ranking projects. This is extremely poor public policy that is likely to further exacerbate the slow development of renewable energy resources in and around California.

We urge you, therefore, to revise the RETI methodology and process in ways that will enable RETI to accelerate transmission expansion to support renewables development generally and promote competition, rather than causing harm to these goals. Fortunately, this can be accomplished with the following straightforward modifications to RETI:

1. Calculate the Ranking Cost for each renewable project or project area using a statistical analysis that is reflective of the actual uncertainties associated with the values that produce the Ranking Cost. Categorize projects and project areas based on the cost *ranges* that result, which will likely produce a significant amount of capacity and numerous CREZs falling within a few cost-range bands.

2. Provide the prioritized CREZ map to the California Independent System Operator (CAISO) and the Publicly Owned Utilities (POUs) to enable these entities to comprehensively plan for transmission expansions that meet the system's reliability needs, take advantage of economic opportunities, and interconnect generators with interconnection agreements while supporting the development of CREZs. In this regard, the transmission plans should focus on the development of the backbone system, not only to ensure that projects that survive the competitive and siting processes can interconnect, but also to provide other system benefits.

3. Once upgrades are identified as needed to support multiple system objectives, the CPUC can accept this determination as a rebuttable presumption of need in the CPCN process, which will reduce the CPCN processing time and enable the CPUC and CEC to focus on routing the needed transmission facilities.

If recast in this way, the RETI process will not only be analytically robust, but will also promote competitive resource procurement and efficient transmission system development and performance. In so doing, RETI will promote, not conflict with, the RPS program, open access rules, and land use processes. We believe that the RETI results could then feed into the CAISO's 2010 TPP process (performed in 2009), producing a renewables transmission plan by the end of 2009, which would be a major accomplishment. If RETI proceeds on its current course, it promises only controversy and delay.

We hope that these changes will be reflected in the revised Phase 1A report.